

CITY OF FOLEY, MINNESOTA
CITY COUNCIL MEETING – November 13, 2024

The Foley City Council held a workshop session on the RFP for the Southside Housing Development on Nov. 13, 2024, at 6:00 p.m. at Foley City Hall.

Members Present: Mayor Jack Brosh, Councilmembers Jeff Gondeck, Deb Mathiowetz, Gary Swanson, and Brandon Voit.

Members Absent: None

Mayor Brosh called the meeting to order at 6:00 p.m.

The pledge of allegiance was recited.

Motion by Gondeck, seconded by Mathiowetz, to approve the agenda.

Motion carried, unanimous.

Discussion/Presentation of Central MN Housing Partnership Housing Proposal

Sarah Brunn, City Administrator introduced the representatives from the Central Minnesota Housing Partnership and Habitat for Humanity.

Deanna Hemmesch, Executive Director - Central Minnesota Housing Partnership, gave an overview to the council. They are a private non-profit covering 16 counties in central Minnesota with the mission to improve, increase, and preserve affordable housing for low to moderate income households and individuals. They have experience building multi-family affordable housing dating back to 1994. She directed the council to their submitted proposal for a 52-unit, one to three bedroom apartment complex and 28 single-family houses. They've partnered with Habitat for Humanity for the single family homes.

Their proposal is for a multi-family apartment building instead of townhomes due to cost and state funding requirements. Their proposal for the single-family homes is designed to reduce the cost of development to \$290,000 for the individual homes. Their organization would also help potential homeowners to cover the affordability gap so they can purchase the homes. There is also the option for a community land trust which takes the cost of the land out of the equation and then only the house is mortgaged for the homeowner. A deed restriction would be needed for those properties, so when the house sells the next buyer would have to meet income requirements to purchase. The seller would only take a portion of the equity with them.

Chad Bouley, Habitat for Humanity gave an overview to the council on the history of the organization and their portion of the proposal. The organization grew from the Civil Rights movement of the 1960s. They serve Stearns, Benton, Sherburne, and Rice Counties. The homeownership program is very intensive and they have a current waiting list of 460 families. The program includes a lot of education, a mortgage, and sweat equity to be able to purchase the home. The program has been in place since 1976. The average income for qualifying families is

\$42,000. The program's affordability subsidy helps first time home buyers be able to purchase the homes. The program uses high school students to help build the homes.

Questions and discussion followed regarding program requirements and what happens when families move out of the homes. Who sells the homes? The family or Habitat for Humanity? The homes are sold by the family, but the affordability subsidy remains in place for the next buyer. If the value of the home goes up quickly then it would be sold at market rate. Habitat sells them at market rate and buys them back at market rate. The community land trust would be on a buyer driven need base. Land trust homes would have restrictions for selling/buying.

More discussion and questions followed. Questions turned to the proposed multi-family apartment building. Families and individuals would need to meet the income requirements, credit, and background checks. Patio homes could be an option for the individual family homes. State funding requires more lenient criminal background checks, but sex offenders or anyone who has committed crimes against another person do not meet the background check requirements.

Ashley Bukowski, City Attorney, expressed concerns regarding the timing on the ARPA funds and how quickly things would need to be approved to meet their state funding for the proposal. Hemmesch said the availability of the ARPA funds makes their application to the state for additional funds stronger. She gave an overview of the application process for additional state funds. Questions and discussion followed on TIF and WAC and SAC fees and what would be needed to help secure funding from the state.

Amanda Othoudt, Benton Economic Partnership, asked questions regarding what happens at the end of the 10-year term of the loan from the housing tax credit. Hemmesch gave an overview explaining there is a fifteen-year compliance for the housing tax credit. The homes would have to stay affordable during that time. This can be extended up to 50 years. Additional questions and discussion followed.

Discussion turned to income guidelines and what happens if the family's income changes during the course of ownership. Hemmesch confirmed that once the initial income requirements were met then nothing would change with the mortgage if income levels dropped or increased. More detailed questions followed on the cost of building versus the purchase price. Hemmesch gave an overview of what the costs would be to the home if the land trust were in place. Questions and discussion continued.

Discussion turned to the property taxes that would be generated by the project. Property taxes on the multi-family apartment building would be discounted due the state funding. Single-family homes would be taxed as normal residential properties – no discount.

Brunn shared with the council that the city would have to rework access to the golf course storage shed. Jarod Griffith, City Attorney, (on phone) stated he had not heard from the county regarding access requirements.

Discussion and questions continued regarding the properties profit vs. not for profit. Bukowski stated housing is an exemption of the business subsidy and may not require a business subsidy agreement. Bukowski had further questions regarding ARPA requirements for housing.

Bouley answered questions regarding how many Habitat homes could be built. The waiting list means that the homes are sold before they are finished being built. Discussion turned to possibly using Foley students to help build the homes. Questions and discussion followed. The time needed to build the homes are dependent on the funding.

Discussion turned to when Central MN Housing Partnership Housing would be submitting their application to the state. Applications are submitting in July and funds are awarded in December. Bukowski stated the ARPA funds need to be spent within a certain time frame.

Brosh asked for next steps. Brunn explained that staff will need direction from the council. Discussion turned to questions from the Griffith, the City Engineer, (on speaker phone) and other requirements that would need to be met. Discussion turned to explanation on developer fees. Would not have to be paid until the end of the project. An exclusive letter of intent would be needed to help secure funding from the state. Burkowski expressed concern that an inclusive letter of intent could tie of up the land if funding is delayed – no contingency plan. Hemmesch explained that they would let the city know if they were rejected for funding during the early rejection period and then letter of intent would expire. Additional questions regarding funding and housing tax credits success rates on similar projects.

Discussion turned to expectations for the city and Central MN Housing Partnership. Hemmesch thanked the council for the opportunity to present the proposal.

Council continued the discussion. Burkowski explained in order to use the ARPA funds they would need to be committed prior to December of 2025. Brunn explained there were concerns from the staff level on the timing. Voit suggested excluding ARPA funds from this project and use for a different project. Discussion and questions continued. Brunn asked what else would the council like to use the ARPA funds? Burkowski said the council could use the ARPA funds for the wastewater project or several other possibilities. Brunn reminded the council that the county gave the city the ARPA funds for water/sewer infrastructure. Discussion continued.

Gondeck and Mathiowetz expressed support for the proposal. Council expressed disappointment that more proposals weren't submitted. Discussion continued on how to use the ARPA funds. Voit asked the value of awarding the ARPA money to the project if the project isn't approved. Brunn said staff was talking about other options. If the city doesn't have an agreement with the Central MN Housing Partnership Housing, there isn't a contingency plan on how to use the ARPA funds. Discussion turned to the city using the funds to help develop the land themselves while they want for the other developer to get approval.

Burkowski asked the council when they would want to give a counter offer to Central MN Housing. She said the city could ask for the ability to plat the land. There is a risk the land could sit for three to five years while waiting for funding.

The council expressed they have concerns over a number of items in the proposal. The priority is to use the ARPA funds. Discussion and questions continued. Brunn said she felt the multi-family apartment building would be better suited closer to the school and downtown amenities. Discussion and questions followed. ARPA funds need to be allocated by the end of the year. Council expressed they are in favor of moving forward with platting and water/sewer infrastructure for the development in order to use the ARPA funds. Staff will do more research.

No other business was presented.

Motion by Voit, seconded by Gondeck, to adjourn.

Motion carried, unanimous.

Meeting adjourned 7:45 p.m.



Sarah A. Brunn, Administrator
(Minutes By: Sara Judson Brown, Administrative Assistant)